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Cash Management

What is Cash Management?

Effective cash management requires that our funds be disbursed at the appropriate time, neither before they are due nor after. We should get the most use from our funds and eliminate paying interest for late payments. Annual reviews of cash flows are performed to ensure that the most efficient and cost-effective method of cash collections and disbursements is being used. In addition, cash management improvements are designed to utilize electronic transmission of documents and online inquiry capabilities.

Two Acts specifically govern disbursement management: the Prompt Payment Act of 1982 (PPA), including the Prompt Payment Act Amendments of 1988, and the Cash Management Improvement Act of 1990 (CMIA). The PPA, as amended, provides for interest on late Federal payments to contractors. The PPA, as amended, also provides that Federal entities must make payments on time and take discounts only when payments are made on or before the discount date. The CMIA specifies requirements for timely payments to States.

Electronic Funds Transfer (EFT)

EFT is a method of payment and is required for all new recipients of Federal payments as of July 16, 1996. Waivers are granted only if the payment recipient does not have an account at a financial institution or authorized payment agent. EFT is required for all recipients of Federal payments, beginning January 1, 1999. No waivers will be granted after that date.

Prompt Payment Act

The Prompt Payment Act of 1982, as amended, requires Federal agencies to pay interest penalties when payments for goods and services are made late, to take discounts only when payments are made within the discount period, and to make payments consistent with sound cash management practices as close as possible to, but not later than, the due date.

Interest Penalty Payment

An interest penalty payment is an amount of interest due to a vendor when APHIS fails to pay for goods or services received within a prescribed timeframe. The Prompt Payment Act stipulates interest will be paid from operating funds if a payment is made more than 15 calendar days after the payment due date.

Determining Due Dates

The National Finance Center (NFC) makes payment 30 days after receipt of a proper invoice except as follows:

- ◆ When a specific payment date is provided for in the contract, payment is made on that date.
- ◆ When a time discount is taken, payment is made as close as possible to, but not later than, the discount date.
- ◆ Payment for meat or meat food products is made 7 days after the date of delivery.

Interest Penalty Requirements

1. An interest penalty will be paid automatically when all of the following conditions are met:
 - ◆ There is a contract or purchase order with a business concern.
 - ◆ Federal acceptance of property or services has occurred and there is no disagreement over quantity, quality, or other contract provisions.
 - ◆ A proper invoice has been received (except where no invoice is required; e.g., some periodic lease payments) or the Agency fails to give notice that the invoice is not proper within 15 days of receipt of an invoice (3 days for meat or meat food products, and 5 days for perishable agricultural commodities).
 - ◆ Payment is made to the business concern more than 15 days after the due date (3 days for meat or meat food products, and 5 days for perishable agricultural commodities).
2. An interest penalty will be paid also when an agency takes a discount after the discount period has expired, and fails to correct the underpayment within 15 days of the expiration of the discount period (3 days for meat and meat food products, and 5 days for perishable agricultural commodities).

Interest Penalty Requirements (Continued)

3. Interest penalties are not assessed when payment is delayed because of a disagreement between a Federal agency and a business concern over the amount of the payment or other issues concerning compliance with the terms of a contract. They also are not assessed when payments are made solely for financing, made in advance, or when amounts are withheld temporarily in accordance with the contract. Claims concerning disputes, and any interest that may be payable during the period the dispute is being settled, will be resolved in accordance with the provisions in the Contract Disputes Act of 1978.

Payment Standards

NFC makes payment as close to the due date as possible. If payments are made after the due date, interest penalties at the rate established by Treasury will be added automatically to the payment. This applies to APHIS when we purchase real and personal property, supplies and services through contracts; purchase orders; delivery orders; or lease for equipment. This also applies when doing business with profit or nonprofit entities, and includes State and local governments.

Approved invoices and receiving reports should be received by NFC or the Field Servicing Office (FSO) (as appropriate) within 5 working days after the invoice or the goods are received, whichever is later. For meat or meat food products and perishable agricultural commodities, the deadline is 3 working days.

Contractual Documents

To establish adequate documentation to support payment of interest penalties, the following information must be included in contracts, invoices, and receiving reports:

1. A contract must include the following payment provisions:
 - ◆ A payment due date (if partial payments are provided for, include separate due dates in the contract);
 - ◆ A stated period of time following delivery, when necessary, for APHIS to inspect and accept goods or services;
 - ◆ Title, phone number, and mailing address of the business concern; and
 - ◆ The address of the APHIS office to which invoices must be mailed for approval, if necessary, or payment.
2. A proper invoice must include:
 - ◆ Appropriate identification that the document is an invoice;
 - ◆ The name of the business concern;
 - ◆ The title, phone number, and mailing address of the office receiving payment;

**Contractual Documents
(Continued)**

- ◆ An invoice date;
- ◆ The contract number or other authorization for delivery;
- ◆ Description, price, and quantity of goods or services actually delivered; and
- ◆ Shipping and payment term.

The designated payment office that receives an invoice which does not include this information must notify the business concern within 15 days (3 days for meat or meat food products and 5 days for perishable agricultural products). The designated payment office must keep documentation of this notification.

3. A receiving report must include:

- ◆ The contract or authorization number;
- ◆ A description of the goods or service delivered;
- ◆ The quantity received;
- ◆ The date of acceptance; and
- ◆ The signature, printed name, title, phone number, and mailing address of the receiving official.

Calculation of Interest Penalties

Whenever a proper invoice is paid after the due date plus 15 days (3 days for meat and meat food products, and 5 days for perishable agricultural commodities), NFC includes interest with the payment at the interest rate applicable on the payment date. Interest is computed from the day after the due date through the payment date, and the amount is stated separately on the check. Interest penalties remaining unpaid for any 30-day period are added to the principal, and interest penalties, thereafter, accrue monthly on the total of principal and previously accrued interest.

Prompt Pay Reporting Requirements

Payment offices (NFC and FSO) are required to report the following information to the Office of the Chief Financial Officer (OCFO) at the end of each fiscal year:

- ◆ Number and amount of penalties paid;
- ◆ Percentage of interest penalty payments to the total number of payments; and
- ◆ Number, total amount, and percentage of payments made 5 days or more before the due date.

Corrective Actions to Reduce Penalties

BAD monitors interest penalty payments in an effort to improve the internal system and recommends corrective action to reduce future penalties. The following actions taken at the regional level will help further reduce penalties:

- ◆ Expand the use of credit cards for small procurement purchases.
- ◆ While preparing status of funds, identify interest penalties in excess of \$10 per occurrence in subobject class 4310.

**Corrective Actions to
Reduce Penalties
(Continued)**

- ◆ Use NFC reports indicated below and identify payments made 60 days after the due date.
- ◆ Encourage Procurement Specialists to research identified interest penalties, determine reason for delayed payment, provide additional training as needed, and identify corrective actions to be implemented to prevent recurrence.
- ◆ Report results of investigations to BAD for evaluation and notification to OCFO.

**Payment Authorized
Without a Receiving
Report**

Procurement offices do not have to submit a receiving report to NFC prior to payment on certain Type 40 purchase orders. This type of purchase order must meet the following conditions:

- ◆ \$1,000 or less;
- ◆ Fixed cost;
- ◆ Fixed quantity; and
- ◆ Anticipated one-time payment.

If an initial purchase order with a total obligating value of \$1,000 or less is amended to exceed \$1,100, a receiving report is required. An initial order of \$1,000 and over which is decreased by an amendment to less than \$1,000 will still require a receiving report. This procedure:

- ◆ Reduces interest penalties;
- ◆ Captures prompt pay discounts;

**Payment Authorized
Without a Receiving
Report (Continued)**

- ◆ Reduces costs relative to processing receiving reports;
- ◆ Decreases lost, unsent, or mishandled receiving reports; and
- ◆ Improves vendor satisfaction due to prompt payment.

Procurement offices should prepare purchase orders in accordance with established procedures, and ensure that goods and services are received as ordered. Refer to the NFC Voucher and Invoice Payments Manual, Title II, Chapter 5, Section 1, for detailed instructions of the payment system.

**Prompt Payment
Reports**

One major cause for interest penalties is delay in the submission of purchase order documents to NFC; particularly, the receiving report. In addition, many receiving reports are sent to NFC on time, but for some reason are never received. NFC produces three reports that enable managers to better monitor purchase order payments:

- ◆ Proof of Purchase Order Payments;
- ◆ Invoices Awaiting Receiving Reports; and
- ◆ Notice to Receiving or Procurement Office -
Subject: Invoice Received for Payment.

Cash Management Improvement Act (CMIA) of 1990, as Amended

The CMIA requires a timely transfer of funds between Federal agencies and States, and requires interest to be paid where transfers are not made in a timely fashion. This Act is designed to encourage the development of efficient cash management systems and to ensure equity in the transfer of funds from Federal agencies to States and ultimately to program recipients. The CMIA acts as an incentive for the timely transfer of funds and timely execution of cooperative agreement and grant awards. The interest obligation provides a mutual incentive for States and the Federal Government to see that the transfer of Federal funds coincides as closely as possible with actual payments to program recipients.

The CMIA applies to disbursements for Federal assistance programs administered by the States. It does not apply to vendor payments which are covered under the Prompt Payment Act Amendments of 1988.

Travel Advances

Travel advances are provided to pay for costs incurred by employees while on approved travel for USDA official business. With the availability of the Automated Teller Machine (ATM) feature of the Government American Express Card, travelers on official travel should be able to readily obtain cash as needed, and the need for advances should have drastically reduced. In the event a traveler plans to travel where ATM's are not available, the mechanism to receive advances is still in place.

For more detailed travel information, please refer to the Federal Travel Regulations.

Application for Advance

Use Form AD-615, Application for Advance of Funds, to obtain a travel advance from NFC. The AD-615 must be signed by both the applicant and the approving official. If an advance is for a change of official station, be sure to show the new duty station's Time and Attendance (T&A) contact point on the application so that NFC travel notices and reports are sent to the proper location. Submit advance applications at least 10 working days prior to the beginning of travel.

Emergency Advances

In an emergency situation, when an advance is needed in less than 10 days, a wire request can be submitted to NFC. Emergency travel advance funds may be obtained also from an imprest fund. However, emergency advances made through imprest fund cashiers are limited to \$500.

Maximum Advance

A cash advance must not exceed the sum of the cash transaction expenses anticipated during authorized travel (including travel incident to change of station) that an employee cannot charge to a Government contractor-issued charge card.

The maximum amount of a travel advance that can be approved for extended periods of temporary duty or relocation travel is \$5,000. An advance of \$7,500 may be approved by the Administrator under extenuating circumstances.

Limitation on Travel Advances

1. Government-Contractor Issued Credit Card holder: The Miscellaneous and Incidental Expenses (M&IE) portion of the per diem rate for the location(s) to be visited multiplied by the number of official travel days authorized, and One hundred percent of the M&IE (out-of-pocket expenses for tolls, parking, taxis, etc.) authorized.

Limitation on Travel Advances (Continued)

2. Non-Government-Contractor-Issued Credit Cardholders: Eighty percent of the per diem rate for the location(s) to be visited multiplied by the number of official travel days authorized, and

One hundred percent of the Miscellaneous Expenses authorized.

**Excessive Travel
Advances**

To reduce unnecessary outstanding travel advances, NFC analyzes and reviews employee travel activity to determine if travelers are retaining advance balances in excess of travel needs. NFC uses a very precise formula for determining excessive advances; however, a travel advance is considered excessive if it is retained for 2 months or more and exceeds a 45-day computed need. Each 10-week period, NFC identifies employees who are holding excessive travel advances and issues repayment notices. On an average, it takes 175 days from the time the advance is received until it is applied to official travel or is repaid.

An employee must repay the excessive advance or submit a travel voucher and apply the advance to official travel within the 30-day period. If the employee does not liquidate the travel advance within 30 days after receiving the notice, NFC will deduct the excessive advance from the employee's salary payment.

If any situation occurs where the excessive advance is retained beyond the 175 days, the excessive advance will be reported as **taxable income** for the employee. The amount will be reported on the W-2, (Wage and Tax Statement), even if repaid or vouchered within the same year. The employee can then deduct that amount as a miscellaneous item on the income tax return.

**Travel Advance
Responsibilities**

Travelers are personally liable for travel advances and are expected to liquidate outstanding advances as soon as travel is completed. Managers who authorize or direct travel are responsible for ensuring that only necessary advance amounts are approved, unused portions are returned promptly, and any travel advance amounts retained are reasonable and needed for travel within the next 30 days.

Travel Advance Reporting

The NFC travel system produces the following special reports to assist managers in monitoring employees' outstanding travel advances:

1. List of Travel Advance Accounts with Outstanding Balances. This report is distributed monthly to the T&A contact point location. It notifies managers of those employees with outstanding travel advance balances.
2. List of Employees Scheduled for Salary Deduction on Account of Excessive Travel Advance. This report is produced 30 days after the repayment notice and is sent to T&A contact point locations. It informs managers of the date that payroll deductions will begin for employees who have failed to repay excessive advances.
3. Travel Advance - Amount Outstanding. This report is distributed monthly to the Budget and Accounting Division (BAD). BAD forwards the report to each Resource Management Staff and Management & Budget Division/Staff for further distribution. The report identifies employees with outstanding advances by organizational structure, and can be used to monitor all travel advances within the region.

Reviewing Cash Flow

Treasury regulations require an annual cash flow review be conducted on each source of revenue received by APHIS. The review is to determine if cash receipts are being deposited in the most expeditious manner. BAD conducts these reviews to determine if established management controls are being followed and are proper.

Funds Transfer Systems

The Department of Treasury has enhanced cash management through the development of sophisticated funds transfer systems that are available for agencies to use in collecting or disbursing funds. Accessing these systems accelerates the depository process and allows the Government faster use of this money. The systems include the following:

- ◆ Treasury Financial Communications System. Funds are transferred through an electronic medium between the Department of Treasury and the banking community. Since funds are wire-transferred, checks and the accompanying collection times are completely eliminated, and funds are available on the actual payment date.
- ◆ Treasury Lockboxes. APHIS arranged with Treasury to establish a process where receipts are mailed directly from payers to a post office box that is serviced by a designated bank. The bank will process the checks on the day of receipt and wire-transfer the amount into the Agency's account.

Funds Transfer Systems (Continued)

- ◆ Treasury General Account (TGA) Cash Concentration System. This is a collection network of depository institutions authorized to accept Government deposits. Deposits are made at a local TGA participating bank and wire-transferred to the Federal Reserve Bank in New York within one business day.
- ◆ Credit Card Collection Network. This is a Governmentwide credit card network established to enable agencies to accept credit cards for the collection of receipts due the Federal Government. Deposits are made by the participating network bank to the Federal Reserve Bank in New York within one business day.

